

# COMMONWEALTH OF VIRGINIA

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## VIRGINIA HOUSING COMMISSION

### Meeting Summary

Tuesday, April 18, 2017, 1:00 PM

House Room C, General Assembly Building

All members of the Virginia Housing Commission (Commission) and the director were present: Delegate Marshall (chair), Senator Locke, Senator Barker, Senator Stanley, Delegate Bulova, Delegate Carr, Delegate Knight, Delegate Peace, Mr. Flynn, Ms. Lafayette, Mr. Pearson, and the director, Ms. Palen.

The Commission members received information from three speakers and the director at this opening meeting for the interim. Presenters gave information on economic policy and housing statistics, the effects of legislation and funding, and a follow-up from a previous meeting on the status of the Richmond Redevelopment and Housing Authority (RRHA) projects. The interim topics to be studied and workgroup divisions were also discussed.

**Sonya Waddell, Regional Economist, The Federal Reserve Bank of Richmond**, spoke first to the Commission about national housing markets and then, more particularly, about Virginia's housing market.

Nationally, a 9.6% growth rate occurred in the second and third quarters of 2016–2017 in regard to housing sales. The numbers have not yet met the 1990s average on housing statistics and permits, and there is an anticipated slowdown of demand in the future, but there is a slow and steady improvement in the amount of housing being built nationally.

An interesting dynamic to watch will be the housing decisions millennials make and to watch how they will determine the future of housing in Virginia.

Despite improvements in indicators such as house prices and home sales in Virginia, there are constraints on the supply side, including not enough buildable lots and a lack of skilled laborers.

During the recession, multi-family homes continued to be built, but that market is now flattening. The number of foreclosures in Virginia is back down to a normal level, .02%. Virginia has a lower foreclosure rate than the nation as a whole, and its foreclosure inventory rate is

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low. Ms. Waddell stated, "Delinquency rates for mortgages more than 90 days past due remain somewhat elevated. And Virginia labor markets are tightening, though at a slower rate than that of the U.S." She added that there is good year over year growth in the economy.

Legislators questioned how many projects are now rezoned because of the loss of the cash proffer system. Ms. Waddell will report back to the group at the end of the interim with current statistics and numbers. The graphs illustrating her talk are titled "The Virginia Housing Market" and can be found under the *Meetings/Materials* tabs on the Commission website.

**Bill Shelton, Director of the Department of Housing and Community Development (DHCD)**, gave an update on housing funding and programs in Virginia; he spoke on behalf of both the DHCD and the Virginia Housing and Development Authority (VHDA).

The Housing and Economic Impact study including the four-university research consortium continues. A final report will be completed by mid-summer to late summer and will be presented to the Commission next fall.

Links between housing and education and health coordination of housing and special needs populations are evident. Greater housing needs exist after the closing of training centers for those with intellectual and other disabilities and has caused an increased need for housing for those populations. Good progress producing this type of housing is being made; the housing intersects, with services and rent supports, and community services. Of this special needs population, about 10% can live independently, which necessitates the need to coordinate housing with wrap-around services for approximately 2,000 individuals.

Concerning DHCD's portion of this year's state budget, the Deeds Commission recommended specific budget language regarding housing for individuals with severe mental health issues. VHDA has hired a national consultant to coordinate providing the housing and a workgroup is being formed to provide expertise and recommendations concerning this housing and needed services. Persons with a severe mental health diagnoses comprise a larger portion of the overall population than the aforementioned special needs population and providing this type of housing has its own complexities. A report will be completed in January concerning a better way to house those in the community with severe mental illness. The goal is for housing for this population not to be concentrated but, instead, dispersed throughout the community, with wrap-around services provided to ensure for independent living in the community.

The study will have a broad stakeholder group and will gather specific recommendations regarding housing for those persons with severe mental illness.

DHCD will continue its funding of programs at the same level as the previous year, and the Housing Trust Fund will continue to provide \$5.5 million yearly to the budget. Appreciation for

the support of the General Assembly was expressed by Mr. Shelton. However, there remains an \$8.3 million gap in the budget between resources and expenses after rolling together all state and federal resources; including those of CDBG (Community Development Block Grants) and HUD's (the U.S. Department of Housing and Urban Development (HUD) HOME Investor Partnership Program funds.

Proposals put forth by the Trump administration eliminating federal support moneys for the HOME program, the weatherization program, and many others will cause a great financial stress on the current funding system if the eliminations occur. No one wants to lose funding in the middle of a development project, and the reduction of federal dollars will negatively impact affordable housing, such as housing using Federal Low-income Housing Tax credits. Equity out projects will need to allocate more money, as a proposed drop in taxes could cause \$1.10 on the dollar to be added as pricing on equity. This especially affects the building of multi-family housing, but historic tax credits for all types of housing will also be affected.

Beginning in 2010, there has been a concerted effort to reduce homelessness in the Commonwealth. Virginia is doing better than many other states in working to combat homelessness and the effort has resulted in an over 30% reduction of homelessness in the state. The emphasis on housing first models has been the key to the decline in homelessness; it has been held up as a national model and has been adopted by all housing partners across Virginia. Veterans' homelessness, using a coordinated effort, has been virtually solved in Virginia, although chronic homelessness still exists. The goal is reduction of chronic homelessness in the Commonwealth by 40% by January 2018.

Building and fire codes are past the halfway point for the next bundle of codes being amended and adopted in Virginia. Meetings discussing the codes are being conducted, and it has been an open-ended process that will soon conclude, as a new Statewide Uniform Building Code will be adopted in 2018.

There are several controversial issues remaining from the 2015 International Code that will be solved in this cycle. Delegate Marshall requested that a report on the major changes, after they are adopted this upcoming autumn, be added to the Commission's meeting agenda.

The Virginia Initiative for Growth and Opportunity in Each Region (GO Virginia) incentivizes "growing back" the economy. Virginia's economic growth is still at a slower rate than that of the rest of the country; there is a need to look at which job sectors have replaced those higher-wage jobs in manufacturing and defense contractor jobs. Where there are lost jobs, particularly in the key sector of manufacturing, standards for strategies and best opportunities to replace them are established through GO Virginia.

Utilizing regional councils, GO Virginia has divided the state into nine regions, and all but one region has had an initial meeting to discuss the best opportunities to bring back higher-wage jobs. Membership for the State Board and regional boards are set, and DHCD has developed a 28-person advisory council to serve as GO Virginia's supervisory board.

GO Virginia has strong connections with higher education, including a statutory requirement that each regional council have representation by institutions of higher education; collectively, the councils comprise representatives from community colleges, regional universities, and private colleges. DHCD will coordinate with the councils to utilize the general and commercialization research strengths of the Commonwealth's universities.

**Marcia Davis, Chief Real Estate Officer, Richmond Redevelopment and Housing Authority (RRHA)** gave an overview of the current plans and challenges RRHA faces today.

RRHA is both manager and owner of public housing in the City of Richmond, with 4,000 units of public housing under its auspices. There are 3,500 Section 8 vouchers in the City of Richmond and adjoining counties.

The goal of the agency is deconstruction of poverty; currently there are six housing project developments within a couple of miles of each other.

Redevelopment of Frederic A. Fay Towers, which provides housing for seniors, is under construction, and 400-plus units in two public housing projects are part of a redevelopment effort near Creighton Court.

In subsidies and capital funds, the RRHA has \$6 million in operating funds (approximately \$750 dollars per unit), but there is a \$150 million need in the city. There is a \$20 million need to improve dilapidated infrastructure in Richmond; nationwide there is a billion-dollar backlog of dilapidated housing needing redevelopment.

Regarding the plans for Richmond's East End, that the Commission discussed last year, a partnership was formed with Community Builders and capital grant and building funds from the federal Choice Neighborhood Initiative (a bigger version of HOPE 6) to redevelop public housing using public and private dollars were applied for from HUD. Transforming the neighborhood would have entailed an initial \$30 million and a \$200 million total effort; unfortunately, the City of Richmond was not selected for the neighborhood transformation moneys.

There are, however, plans for adding housing within the City of Richmond, including building 77 new units in Highland Park and the renovation of the historic Baker School into 51 senior units; the goal is to have the development take place in phases.

In Jackson Ward, RRHA is working to reconnect neighborhoods by adding 72 units of senior housing and 122 market-rate units, each using Low Income Housing Tax Credits (LIHTC) for a subsidy for the land. Currently, there is also a concept to develop a boutique hotel in Jackson Ward during the next phase. This project and other such projects of RRHA will try not to rely on funding from HUD for the projects. Pictures of the Jackson Ward and Baker School development projects can be found in the document titled "Public Housing Transformation: Jackson Ward and Baker School Redevelopment" under the *Meetings/Materials* tabs on the Commission's website.

On positive note, a neighborhood center is being built in Church Hill through a private/public partnership. The Markel family donated funds to alleviate the food desert by initiating a grocery store development project, and J. Sargeant Reynolds Community College is establishing a culinary school in the neighborhood. Overall, the neighborhood has received an infusion of \$25 million in private equity.

**Elizabeth Palen, Director of the Commission**, discussed the work plan and introduced the topics to be covered during the interim. She explained that some topics were assigned by the legislature during the 2017 Session of the General Assembly for the Commission to study, and other topics were sent by letter of request to the Commission. The list of topics is posted on the Commission website as "2017 Referred Legislation and Requested Studies" under the *Meetings/Materials* tabs. Ms. Palen explained that the list is not exclusive and topics will be added to be studied by the Commission, this interim, as needed. She also noted that each topic has been assigned to a workgroup composed of legislators and stakeholders where each will be thoroughly vetted.

The chair asked for public comment, and, hearing none, he adjourned the meeting at 3:15 PM.